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Analysis

Issue Expected To Be Toughest Domestic Battle

By Dan Balz

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President Bush launched the battle to restructure Social Security last night with an eye on wary older Americans, nervous Republicans and potential Democratic votes in Congress, outlining a plan that he sought to characterize as less risky, less radical and more fiscally responsible than his critics have charged.

Both Democrats and Republicans have been calling on Bush to provide the details behind his proposal to restructure the 70-year-old retirement program by allowing younger workers to create personal savings accounts, financed by a portion of their payroll taxes -- Democrats because they believe the specifics could make the plan politically unpalatable; Republicans because they want the protection of presidential cover before changing one of the most revered federal programs ever created.

Last night the president took the first careful steps in responding to those calls. For the first time, he put on the table a series of changes in the system that would result in lower benefits in the future, including raising the retirement age; limiting benefits for wealthy retirees; and indexing benefits to prices, rather than wages, thereby reducing their value over time. The only thing he explicitly ruled out was raising payroll taxes.

But the president declined to take ownership of any of these politically risky changes, offering them instead as the ideas offered in the past by other politicians, all Democrats as it turned out. He told lawmakers assembled in the House chamber that fixing Social Security "will require an open, candid review of the options," and that he would work with them to find what he called "the most effective combination" needed to preserve the system's financial viability.

As an opening bid in what promises to be the most challenging domestic battle of his presidency, Bush may have eased some of the concerns within his own party about his willingness to tamp down the potential political backlash of tampering with Social Security. Democrats sounded unimpressed and the question of whether he can build a politically impregnable consensus remains unanswered, but Bush showed he will not shrink from the fight.

The coming debate will test the president's communication, legislative and negotiating skills as no other domestic proposal he has championed. Some Republicans fear that Bush has already fallen on the defensive in the battle. Talk of benefit cuts surfaced even before the administration had its game plan together and Democratic opposition has hardened, with Senate Democratic Leader Harry M. Reid (Nev.) saying Tuesday that he has the votes to block Bush's proposal for individual accounts. House Republicans, despite a pep talk from the president at a weekend retreat, are still not convinced he can win the fight.

Last night, the president spoke with the confidence gained from his reelection victory and riding the euphoria of elections in Iraq last Sunday. The speech's emotional high point came when Bush paid tribute to Janet and Bill

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President Bush greets lawmakers before his address, which focused on restructuring Social Security. (Melina Mara -- The Washington Post)

Norwood, whose son, Marine Corps Sgt. Byron Norwood, 25, was killed in Iraq, and hailed the courage of Safia Taleb Suhail, whose father was assassinated by agents of Saddam Hussein and who led her family to vote in Baghdad on Sunday. When the two women, who were seated in first lady Laura Bush's gallery, hugged each other, the president and many others in the House chamber choked back tears.

Those events have emboldened Bush as he takes on Social Security. He has argued since his first presidential campaign that Social Security is no longer the third rail of American politics, that touching it would not mean political death, and he was more passionate than ever in calling on Congress to join him in changing the system.

"Social Security was a great moral success of the 20th century and we must honor its great purposes in this new century," he said. "The system, however, on its current path, is headed toward bankruptcy. And so we must join together to strengthen and save Social Security."

As he ticked through the principles behind his plan, it was also obvious that he and his advisers knew they had a variety of constituencies to satisfy to gain the support necessary to get it enacted.

Polls show that older voters and many aging baby boomers are most opposed to the idea of changing the system and creating personal accounts, and to them, Bush offered the assurance of no change, regardless of how Congress restructured the program. "I have a message for every American who's 55 years or older," he said. "Do not let anyone mislead you. For you, the Social Security system will not change in any way."

For younger Americans, who Bush knows are more receptive to his plan, he emphasized both sweeteners and reassurance. Personal accounts, he said, could provide a larger retirement nest egg than the existing system. But he was quick to add that there would be protections to minimize risk. Bush will face more questions from younger workers as they learn how complicated the accounts may be and that they face a reduction in promised benefits because of the president's plan.

Bush also tried to provide a cushion against criticism that his plan would require the government to borrow as much as \$2 trillion over the next 10 years to cover the transition to a new system, detailing plans to phase in the personal accounts slowly, starting in 2009, with an estimated transition cost of \$700 billion to \$800 billion.

The president and his advisers were far more willing to offer specifics about the personal savings accounts than they were about the steps required to keep the system solvent. Those omissions, administration officials say, were deliberate to give congressional leaders more maneuvering room to find a consensus later this year. But that stance still leaves the administration open to Democratic criticism that it is avoiding the toughest questions about the plan, and reaction last night was uniformly negative among Democratic lawmakers.

The political landscape Bush faces is the mirror image of the one he encountered during first-term battles over tax cuts. In those fights, Democrats were on the defensive, reluctant to oppose tax cuts for fear of political repercussions. Those battles ultimately came down to a question of whether Democrats could reduce the size of the cuts Bush wanted.

In this battle, Bush has chosen to fight on what has been traditional Democratic turf, a program created by President Franklin D. Roosevelt and jealously protected by his party ever since. Republicans have been singled enough times by Democratic charges that they favor cutting Social Security benefits that the president's first task is to calm his own caucus members and reassure them that they will not suffer in the 2006 midterm elections if they follow his lead.

Democrats believe both the politics and substance of this battle are on their side. "He's betting the whole second term on his ability to privatize Social Security," said John D. Podesta, White House chief of staff in the Clinton administration. "He's been pretty good at getting things done, but it looks like a bad bet to me. I think the fundamentals don't work for him."

This is not a battle Bush can win quickly, and the opening stages -- last night's speech and a two-day presidential trip to five states beginning this morning -- appear aimed at reshaping public opinion to try to build a consensus for changing the system. "The day the public buys into the idea that demagoguery and 'just say no' is not an answer will be the moment we turn the corner," said Sen. Lindsey O. Graham (R-S.C.), who has written a Social Security plan of his own.

The biggest hurdle for the president remains the issue of finding a bipartisan coalition to support his changes. Even his Republican allies say changes of the magnitude he seeks should only be passed with support from lawmakers in both parties. Bush's first task will be to consolidate his GOP support, but the itinerary of his trip this week shows he hopes to attract the votes of at least a few Democrats. If he manages that, his second term could be as consequential as his first.

In calling for voluntary personal savings accounts for younger workers as the centerpiece of his proposal, Bush has unified the Democratic opposition and fractured congressional Republicans. Even Bush's allies know the goal of restructuring the system by the end of this year will be extraordinarily difficult. As House Majority Whip Roy Blunt (R-Mo.) put it yesterday, "Almost everything has to go right to get anything this hard done."

- [Text: State of the Union Transcript](#)
- [Video: Full Speech](#) | [Social Security](#)
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- [Graphic: Timeline of Bush's Speech](#)

— Live Discussions —



Thursday, 11 a.m.

ET:

The Post's **Peter Baker** takes your questions on Bush's State of the Union

address.

- [Transcript: The Post's Robert Kaiser](#)
- [Post Your Comments on the Speech](#)

— Photo Gallery —



Photo Gallery:

Photographs from President Bush's annual address to Congress and the American people.

- [Full State of the Union Coverage](#)

Highlights of the Proposal

- **ELIGIBILITY:** People born before 1950 would not be affected.
- **INDIVIDUAL ACCOUNTS:** People born in 1950 or later could divert up to 4 percent of income subject to Social Security taxes into individual accounts, up to \$1,000 a year -- a cap that would be phased out.
- **WHEN:** The accounts would be phased in between 2009 and 2011.
- **OPTIONS:** Workers would be able to choose among several stock, bond and mixed-investment funds.
- **LIMITATIONS:** Participants would have no access to the accounts before retirement and could not borrow against the balance.
- **AT RETIREMENT:** Participants would be required to buy annuities to ensure steady payments out of the accounts over a lifetime.
- **OVERSIGHT:** The federal government would administer accounts.

POLITICSTRIVIA

Thursday's Question:

The third U.S. president, Thomas Jefferson, began a tradition of giving the president's annual message in writing rather than delivering a speech. Which president revived the practice of giving an annual speech to Congress?

Rutherford B. Hayes

Grover Cleveland

Woodrow Wilson

Warren G. Harding

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